

**IN THE MATTER OF THE BANKRUPTCY
AMALGAM ELEVEN LTD.
IN THE CITY OF TORONTO
IN THE PROVINCE OF ONTARIO**

TRUSTEE'S PRELIMINARY REPORT TO THE FIRST MEETING OF CREDITORS

DISCLAIMER:

One of the underlying principles of the Bankruptcy and Insolvency Act, is that of creditors' control. The Act provides for a First Meeting of Creditors to discuss the collective interest of the creditors in the administration of the bankrupt's estate.

The purpose of the First Meeting of Creditors is to consider the affairs of the bankrupt, affirm the appointment of the Trustee (or substitution of same), appointment of 1-5 inspectors and to give further direction to the Trustee as may be necessary.

Readers are cautioned that this report is only to provide creditors information gathered by the Trustee to date, so that their collective interests can be discussed at the First Meeting of Creditors. However, the Trustee has not audited or verified the information provided to it in anyway, unless noted otherwise.

The contents of this report should be considered "for general information purposes only" and not definitive.

Amalgam Eleven Ltd. (hereafter called the "**Company**" or "**Amalgam**") filed an assignment in bankruptcy on June 3, 2021 and Goldhar & Associates Ltd. was appointed as Trustee of the Estate of the Bankrupt by the Official Receiver. Ken Tassis, CA, CIRP, LIT, is the Licensed Insolvency Trustee responsible for the administration of the estate and Jessie Hue, is assisting in the administration.

BACKGROUND

The Company was incorporated in Ontario on September 15, 2011 and operated as a holding company. Mr. Haim Eli Staiman was the sole director and shareholder since inception.

Amalgam advanced funds to and owns part of directly or indirectly to the three (3) "MidiCi" bankrupt companies listed below. Mr. Staiman was also the sole director/shareholder of the following three (3) corporations (who executed all the bankruptcy documents).

1. 35% of MidiCi Canada Franchising Limited (which formerly was 2551999 Ontario Inc.) filed bankruptcy on May 29, 2020 and Goldhar & Associates Ltd. was appointed Trustee of the estate (OSB File #31-2648658) and Amalgam had advanced \$408,000 to this company.
 - a) MidiCi Canada Franchising Limited owns 100% of MidiCi Canada Operating Limited:
 - b) MidiCi Canada Franchising Limited owns 100% of 2668859 Ontario Inc.
2. MidiCi Canada Operating Limited also filed bankruptcy on May 29, 2020 and Goldhar & Associates Ltd. was appointed Trustee of the estate, (OSB file # 31-2648661).
 - a) It operated as MidiCi@ the Food District and/or MidiCi the Neapolitan Pizza Company at Upper Canada Mall, 17600 Yonge Street, Newmarket Ontario.
 - b) Amalgam had advanced \$120,000 to this company.
3. 2668859 Ontario Inc., also filed bankruptcy on May 29, 2020, and Goldhar & Associates Ltd. was appointed Trustee of the estate (OSB file # 31-2648647).
 - a) It operated as MidiCi@ the Food District and/or MidiCi the Neapolitan Pizza Company at Square One at 100 City Centre Drive in Mississauga Ontario.
 - b) Amalgam had advanced \$572,000 to this company.

After Amalgam's filing, Mr. Staiman filed a voluntary assignment in bankruptcy on June 3, 2021.

Sunglasses Hats & Elephants Limited

At one time Amalgam Eleven Ltd. owned 6,000,000 Class D shares (50% of this class) and 600 Class 1 Common shares (60% of this class)
Sunglasses Hats & Elephants Limited owns 100% of Kernels Popcorn Limited.

In October 2020 Amalgam Eleven Ltd. sold (a) its 6,000,000 Class D shares for one cent (\$.01) each, totalling \$6,000, and (b) its 600 Class 1 Common shares for one dollar (\$1.00) each totalling \$600.00.

The price received for these shares was fair market value as Covid has decimated the retail industry, and the proceeds from the share sales noted above were used to pay the only direct creditor of Amalgam Eleven Ltd.

CAUSE OF INSOLVENCY

The Trustee understands from Mr. Staiman that Amalgam's cause of insolvency was due to the following;

1. Advancing funds to the three (3) "MidiCi" companies (noted above) which subsequently became bankrupt and as such could no longer repay Amalgam; and
2. Co-signing loan agreements from third parties for advancing funds to the three (3) MidiCi Corporation that could no longer repay Amalgam and the (3) MidiCi Corporation could no longer repay the loan.

ASSETS

Based on the Company's statement of affairs ("**SOA**"), the Company declared the following asset:

Cash in Bank- RBC Royal Bank ("RBC")	\$350.00
--------------------------------------	----------

The Trustee requested RBC to freeze the Company's bank account and forward the funds on deposit to the Trustee. The Trustee has received acknowledgement that RBC has received the request.

TRUSTEE'S ACTIONS TO DATE

The trustee notified all known creditors as required and published the notice in the National Post on June 11, 2021 of the bankruptcy and first meeting of creditors.

SECURED CREDITORS

A search under the Personal Property Security Act (P.P.S.A) was conducted by the Trustee on April 12, 2021 which revealed two registrations:

<u>#</u>	<u>Secured Party</u>	<u>Assets listed in Registration</u>	<u>Amount on the Statement of Affairs</u>
1	International Franchise Inc.	Inventory/Equipment/ Accounts/ Other/ Motor Vehicle	\$ 350,000
2	Merchant Opportunities Fund Limited Partnership (formerly Merchant Advance Capital)	Inventory/Equipment/ Accounts/ Other/ Motor Vehicle	\$ 85,000

LEGAL PROCEEDINGS

There is no known legal proceeding filed by or against the Company, and no legal proceedings have been commenced by or have been filed against the Trustee or the estate.

EVALUATION OF ASSETS AND ANTICIPATED REALIZATION

The Trustee does not anticipate any distribution will be made to ordinary creditors.

REVIEWABLE TRANSACTIONS / PREFERENCE PAYMENTS / SETTLEMENTS / TRANSFERS AT UNDERVALUE

The Trustee has done a preliminary review over the previous 12 months and has not discovered any reviewable transactions/preferences or transfer at undervalue as it appears all transactions were in the ordinary course of business. However, the Trustee will be seeking further instructions from the creditors or the inspectors, if appointed on the above matters.

PROOFS OF CLAIM

Creditor Type	Amount as per the Statement of Affairs		Claims Filed to Date	
	#	\$	#	\$
Trust		Nil		Nil
Secured	(1)	\$350,000		Nil
Preferred		Nil		Nil
Unsecured	(6)	\$1,485,003.00		Nil
Totals	(7)	\$ 1,835,003.00		\$0.00

There has been no proof of claims filed as of June 23, 2021.

OTHER MATTERS

Goldhar & Associates Ltd. was paid \$14,125.00 (inclusive of HST) by Haim Eli Staiman, the director of Amalgam Eleven Ltd., who will be filing an assignment in the near future for (i) consultations services and for (ii) accepting the appointment as trustee under Section 49(4) of the *Bankruptcy and Insolvency Act* ("BIA") for the bankruptcy of Amalgam, more than 60 days prior to this filing as reported to the Official Receiver on the Estate Information Summary form when filing the required bankruptcy documents.

Over one year ago, Goldhar & Associates Ltd. was paid \$35,645.85 (including HST) for (i) consultations, and (ii) accepting the three bankruptcies of (1) 2668859 Ontario Inc. o/a MidiCi @ The Food District, (2) MidiCi Canada Operating Limited, (3) MidiCi Canada Franchising Limited (noted above).

The Trustee's fees at standard rates in carrying out its required duties to the conclusion of the first meeting of creditors and any required statement of receipts and disbursements will far exceed this amount. As such any instructions and or directions given by creditors or inspectors if appointed may not be possible for the trustee to carry out unless funded by creditors. Due to lack of funding the trustee advises the creditors of their rights under Section 38 of the BIA, a copy of which is attached to this report.

The Trustee will also be seeking directions from the creditors or inspectors if appointed on the following matters:

- i) Approval of all the Trustee's actions to date including the actions outlined in this Preliminary Report and affirmation of Trustee's appointment, and
- ii) Appointment of inspectors, (noting that if none are appointed that the trustee then may do all things that require inspectors approval), and
- ii) Appointment of Estate Solicitor if necessary, and
- iii) Any further directions from creditors and or inspectors if appointed on the matters noted in the Preliminary Report or that arise at the meeting, and
- vi) Any other matters which may arise at this first meeting, and
- vii) It should be noted that Section 30(3) referred to above and as noted in Section 30(1) of the BIA.

DATED at Mississauga, Ontario this 23rd day of June, 2021.

**Trustee of the estate of
Amalgam Eleven Ltd. - a bankrupt**


Per: Kenneth Tassis, CA, CIRP, LIT

Attached: Section 38 of the *Bankruptcy and Insolvency Act*

Proceeding by creditor when trustee refuses to act

38. (1) Where a creditor requests the trustee to take any proceeding that in his opinion would be for the benefit of the estate of a bankrupt and the trustee refuses or neglects to take the proceeding, the creditor may obtain from the court an order authorizing him to take the proceeding in his own name and at his own expense and risk, on notice being given the other creditors of the contemplated proceeding, and on such other terms and conditions as the court may direct.

Transfer to creditor

(2) On an order under subsection (1) being made, the trustee shall assign and transfer to the creditor all his right, title and interest in the chose in action or subject-matter of the proceeding, including any document in support thereof.

Benefits belong to creditor

(3) Any benefit derived from a proceeding taken pursuant to subsection (1), to the extent of his claim and the costs, belongs exclusively to the creditor instituting the proceeding, and the surplus, if any, belongs to the estate.

Trustee may institute proceeding

(4) Where, before an order is made under subsection (1), the trustee, with the permission of the inspectors, signifies to the court his readiness to institute the proceeding for the benefit of the creditors, the order shall fix the time within which he shall do so, and in that case the benefit derived from the proceeding, if instituted within the time so fixed, belongs to the estate.